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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-87249; File No. SR-CBOE-2019-076)

October 8, 2019

Self-Regulatory Organizations; Cboe Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Amending its Fees Schedule

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on October 1, 2019, Cboe Exchange, Inc. (the “Exchange” or “Cboe Options”) filed with the Securities and Exchange Commission (the “Commission”) the proposed rule change as described in Items I, II, and III below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to amend its fees schedule. The text of the proposed rule change is provided in Exhibit 5.

The text of the proposed rule change is also available on the Exchange’s website (<http://www.cboe.com/AboutCBOE/CBOELegalRegulatoryHome.aspx>), at the Exchange’s Office of the Secretary, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange proposes to amend its Fees Schedule in connection with fees assessed for transactions in options on the MSCI Emerging Markets Index ("MXEF") (a proprietary product exclusively listed on the Exchange). The Exchange intends to implement the proposed change on October 1, 2019.

The Exchange now proposes to waive the current fee \$0.25 fee assessed for Customer ("C") transactions in MXEF, through December 31, 2019. The Exchange has experienced a precipitous decrease in MXEF Customer volume in the last three months. Indeed, the average volume per month from January 2019 through June 2019 was approximately 20,111 contracts. From July 2019 through September 2019 the average volume per month was 17,613 contracts; an overall decrease of 12.4% per month. In light of this decreasing volume trend in MXEF Customer volume, the proposed three-month waiver of fees for MXEF Customer transactions is designed to incentivize a renewed increase of Customer volume in MXEF on the Exchange. The Exchange believes that incentivizing more Customer orders in MXEF will create more trading opportunities, which, in turn attracts Market-Makers. A resulting increase in Market-Maker activity facilitates tighter spreads, which may lead to additional increase of order flow in MXEF from other market participants, further contributing to a deeper, more liquid market to the benefit of all market participants by creating a more robust and well-balanced market

ecosystem. The Exchange notes the proposed waiver is applicable to all Customer orders in MXEF.

## 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of Section 6 of the Act, in general, and furthers the objectives of Section 6(b)(4), in particular, as it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and issuers and other persons using its facilities. The Exchange also believes that the proposed rule change is consistent with the objectives of Section 6(b)(5) requirements that the rules of an exchange be designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating, clearing, settling, processing information with respect to, and facilitating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system, and, in general, to protect investors and the public interest, and, particularly, is not designed to permit unfair discrimination between customers, issuers, brokers, or dealers.

In particular, the Exchange believes that the proposed waiver is consistent with the Act in that it is reasonable, equitable, and not unfairly discriminatory. First, the Exchange believes the proposed waiver is reasonable because customers will not be charged any fee for MXEF orders. The Exchange believes the proposed three-month waiver is reasonable and equitable because it is designed to incentivize Customer MXEF executions, whose order flow, as stated, enhances liquidity on the Exchange for the benefit of all market participants by providing more trading opportunities, which attracts Market-Makers. An increase in Market-Maker activity in turn facilitates tighter spreads,

which potentially increases order flow from other market participants. In addition to this, the Exchange believes that it is reasonable and equitable to waive the Customer transaction fee in MXEF through December 31, 2019, because this gives ample time to for the Exchange to evaluate whether the waiver has resulted in the desired effect of encouraging Customer order flow and, in turn, increased liquidity from other market participants.

The Exchange believes that the proposal represents an equitable allocation of fees and is not unfairly discriminatory because the waiver will apply to all Trading Permit Holders that submit Customer orders in MXEF. Moreover, the Exchange notes that while the proposed fee assessed for Customer orders will be lower than fees assessed for other market participants<sup>3</sup> the Exchange believes that the proposed waiver is equitable and not unfairly discriminatory because, as described above, Customer order flow enhances liquidity on the Exchange for the benefit of all market participants. Moreover, the options industry has a long history of providing preferential pricing to Customers, and the Exchange's current Fee Schedule currently does so in many places, as do the fees structures of multiple other exchanges.<sup>4</sup> The Exchange notes that all fee amounts applicable to Customers will be applied equally to all Customers, i.e. all Customers will be assessed the same amount.

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<sup>3</sup> See Cboe Options Fees Schedule, "Index Options Rate Table - All Index Products Excluding Underlying Symbol List A (34) and Sector Indexes". Firms are assessed a transaction fee between \$0.25 and \$0.75, depending on the transaction type, and Market-Makers are assessed a transaction fee between \$0.03 and \$0.23 based on a sliding scale. See Cboe Options Fees Schedule, "Liquidity Provider Sliding Scale".

<sup>4</sup> See MIAX Options Fee Schedule, Transaction Fees, SPIKES, which gives preferential Customer treatment for transactions in MIAX Option's proprietary product, SPIKES.

B. Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will not impose any burden on intramarket or intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. Rather, as discussed above, the Exchange believes that the proposed change would encourage the submission of additional liquidity in MXEF, in response to a recent decrease in MXEF order flow, thereby promoting market depth, price discovery and transparency and enhancing order execution opportunities for all TPHs.

The Exchange believes the proposed rule change does not impose any burden on intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed fee waiver offered to Customers in MXEF will be assessed equally to all such participants. As described above, preferential pricing to Customers is a long-standing options industry practice which serves to enhance Customer order flow, thereby attracting Market-Makers to facilitate tighter spreads and trading opportunities to the benefit of all market participants.

The Exchange does not believe that the proposed rule change will impose any burden on intermarket competition that is not necessary or appropriate in furtherance of the purposes of the Act because the proposed waiver applies to a product traded exclusively on the Exchange. Overall, the proposed change is designed to encourage additional order flow to the Exchange, which the Exchange believes benefits all market participants on the Exchange by providing more liquidity, thus trading opportunities, encouraging even more TPHs to send orders, thereby contributing towards a robust and well-balanced market ecosystem to the benefit of all market participants.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

The Exchange neither solicited nor received comments on the proposed rule change.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to Section 19(b)(3)(A) of the Act<sup>5</sup> and paragraph (f) of Rule 19b-4<sup>6</sup> thereunder. At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission will institute proceedings to determine whether the proposed rule change should be approved or disapproved.

IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

Electronic comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-CBOE-2019-076 on the subject line.

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<sup>5</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>6</sup> 17 CFR 240.19b-4(f).

Paper comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-CBOE-2019-076. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, D.C. 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to

File Number SR-CBOE-2019-076 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>7</sup>

Eduardo A. Aleman  
Deputy Secretary

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<sup>7</sup> 17 CFR 200.30-3(a)(12).



